

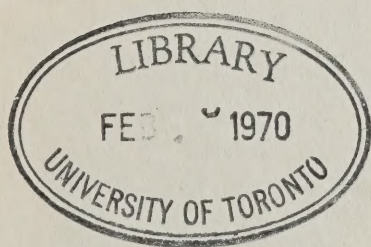
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Government  
Publications


Ontario. Legislative assembly. Committee  
Select committee on consumer credit  
Hearings

SELECT COMMITTEE ON CONSUMER CREDIT

Proceedings of the hearings at  
State Building, New York, N.Y.,  
on the 14th day of January, 1965.



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1 MEMBERS OF SELECT COMMITTEE ON CONSUMER CREDIT:

2

3 G. BUKATOR, M.P.P.

4

5 J. F. EDWARDS, M.P.P.

6

7 M. HAMILTON, M.P.P.

8

9 G. KERR, M.P.P.

10

11 A. F. LAWRENCE, M.P.P.

12

13 L. LETHERBY, M.P.P.

14

15 D. C. MacDONALD, M.P.P.

16

17 F. R. OLIVER, M.P.P.

18

19 L. REILLY, M.P.P.

20

21 R. D. ROWE, M.P.P.

22

23 R. M. WHICHER, M.P.P.

24

25 JOHN WHITE, M.P.P.

26

27 H. J. PRICE, M.P.P.

28

Chairman

29 JOSEPH SEDGWICK, Q.C.

30

Counsel

31 D. D. W. IRWIN, B.A., C.A.

32

Consultant

33 T. F. R. HARCOURT

34

Secretary

35

36 MEMBERS OF PANEL:

37

38 B. LEVY

39

Chief of Consumer  
Frauds and Protection  
Bureau.

40

41

42

43

44

45

46

47







1 MR. LEVY: When you speak of problems, do  
2 you deal only with consumer problems, you are not a  
3 legal aid bureau?

4 MR. SEDGWICK: We are not a legal aid  
5 bureau in essence.

6 MR. LEVY: I had a woman here from London,  
7 from the Consumer Council who was here on Friday. I  
8 don't remember her name but she came down with her  
9 secretary and she is also making a tour. England is  
10 tremendously interested in this thing. You are all  
11 legislators, you are elected officials and you represent  
12 constituencies, and you are interested from the political  
13 angle. That is a tremendous source of publicity in  
14 getting across to your constituents what you can do and  
15 what you are going to recommend because the public is  
16 apprized of the fact that legislators can help them.  
17 The Attorney General has been the greatest advocate for  
18 consumers, and the press has given him a tremendous play  
19 because of the work he has done in this consumer field.  
20 I am speaking to you as fellows who run for office, it's  
21 a tremendous field and you are doing a good service.  
22 The Attorney General in our State has no power to  
23 introduce bills--

24 MR. SEDGWICK: Is he not a member of the  
25 party?

26 MR. LEVY: No, he is an elected official.  
27 He is a Republican. We have a Republican Governor and  
28 a Republican Attorney General. Now we have a Democratic  
29 House and he is not allowed to introduce bills, but what  
30







1 we do is we draft them and we go them and we say, will  
2 you help us introduce this bill. There are Republicans  
3 and Democrats that are interested in the consumer today,  
4 it has reached great heights. Last September I collabor-  
5 ated with two writers from the Reader's Digest on an  
6 article which was called, You Can get your money back,  
7 in which the writers featured the work of the Attorney  
8 General of New York. This article received such wide  
9 attention that the Canadian Division of Readers Digest  
10 picked it up and there it was called, The Consumers  
11 Friend, the Canadians didn't like the title You Can Get  
12 Your Money Back. In a four month period I received  
13 13 thousand letters just on this one item, and of course,  
14 letters from Canada. I see besides your consumer  
15 credit you are interested in door to door sales and  
16 revolving credit. We did see your Attorney General was  
17 making an investigation in the field of consumer credit.  
18 Is this Attorney General like ours, just for the State?

19 MR. SEDGWICK: Just for the Province, but  
20 unlike yours he is a member of the party which has a  
21 majority in the House and he has a seat in the House,  
22 so that he has direct power to introduce legislature.

23 MR. LEVEY: Is he elected? He must run  
24 for office?

25 MR. SEDGWICK: He runs as a member for that  
26 particular constituency.

27 MR. LEVY: How many Provinces do you have?

28 MR. SEDGWICK: Ten, each one is roughly  
29 comparable to a State. Then we have a Federal Attorney  
30







1 General who is called the Minister of Justice. He is  
2 elected the same way, he is elected by a constituency  
3 and then is appointed as Minister of Justice, and he  
4 has a seat in the Federal House, so he too has a direct  
5 power to introduce legislation on almost all legislation  
6 dealing with crime. Fraud is introduced Federally by  
7 the Minister of Justice.

8 MR. LAWRENCE: Who conducts your prosecutions?  
9 Do you have your own staff of attorneys?

10 MR. LEVY: The Attorney General of the State  
11 is the Attorney General for 62 counties, and each  
12 separate county has their own District Attorney, he  
13 can't go into civil matters.

14 MR. SEDGWICK: The District Attorney is  
15 also elected so he is in a sense under the control of  
16 the Attorney General?

17 MR. LEVY: He is independent. The Governor  
18 of the State can supersede a District Attorney, but it's  
19 a rarity.

20 MR. LAWRENCE: When you are carrying on a  
21 number of prosecutions through your branch you are using  
22 your own attorneys?

23 MR. LEVY: Right.

24 MR. MacDONALD: How many prosecutions would  
25 you have in a year?

26 MR. LEVY: We have in process about 188.  
27 If we had to go to trial in every case we couldn't do it.  
28 So that most of the, once we serve our papers, it's  
29 then the attorneys come up and say, will you consent to  
30







1 an injunction. We had a case for \$15,000.00 but they  
2 paid us costs.

3 MR. SEDGWICK: What was the nature of that  
4 case?

5 MR. LEVY: Before we get into this, the  
6 appearance of you people received some prominence in  
7 our press. We had an article in the World Telegram on  
8 Saturday that you were coming down here and there is  
9 a photographer here. Is there any objection if I bring  
10 him in and take a picture of you.

11 MR. REILLY: How many staff is there on  
12 your Consumer Fraud Unit?

13 MR. LEVY: I have a staff excluding myself,  
14 of eight people, assistant Attorney Generals. They are  
15 appointed by the Attorney General. Then I have my own  
16 secretary. I have my Spanish interviewer, then I have a  
17 receptionist. Then I have an investigator. I have only  
18 one investigator. Actually the staff is 14. My staff is  
19 all here in New York because of the nature of the activity.  
20 We have seven different offices throughout the State  
21 and each one, of course, does consumer fraud work, and  
22 he does everything else. Because of the tremendous  
23 volume I only do consumer fraud work, but all of our  
24 other offices do the other things. Here's something  
25 from Nestles. We have two packages, one says ten cents  
26 off. Both have the same contents. Actually the consumer  
27 doesn't get 10 cents off. Nestles says to the retailer  
28 if you want to give this 10 cents off you give it. You  
29 do whatever you want.  
30







1 MR. KERR: If they tell the retailer to  
2 pass on that 10 cents then its fixing prices.

3 MR. SEDGWICK: The manufacturer is not per-  
4 mitted to fix the price at which the retailer sells it.

5 MR. KERR: They suggest a price.

6 MR. SEDGWICK: Yes, but the retailer doesn't  
7 have to stick to it. The manufacturer can suggest a  
8 price but he can't discipline the retailer who sells  
9 for more or less.

10 MR. LEVY: You fellows will eventually  
11 have all the problems we have. Did you speak to the  
12 Attorney General in California, what's his name?

13 MR. SEDGWICK: Mosk.

14 MR. LEVY: Here's anotherone. This fellow,  
15 believe it or not, advertised in the Canadian papers  
16 that he could cure arthritis, baldness and cancer with  
17 this. If you spread it on your head it's not bad, but  
18 he wanted you to drink it.

19 MR. SEDGWICK: Wouldn't that come under Food  
20 and drugs?

21 MR. LEVY: We can't wait for food and  
22 drugs, although they do a good job. These are arthritic  
23 bracelets. We caught him in his basement. It cost him  
24 about 8 cents a piece and he was selling them for two  
25 bucks.

26 MR. WHITE: Whats the story on the pills?

27 MR. LEVY: These are for dizziness, if you  
28 need more sex vitality. All they are are just plain  
29 ordinary vitamin pills. It doesn't do any more for you  
30







1 than any other pill.

2 MR. SEDGWICK: You don't have a lab or  
3 chemist?

4 MR. LEVY: We have a State lab. We try to  
5 work with the State and the Federal Government. This  
6 is a machine that is plaguing the senior citizens of  
7 our country, the franchise gyp. They put ads in the  
8 paper, you can make money while you sleep, we will set  
9 up the advertising and the territory, all you have to  
10 do is to go there once a week and collect. Then they  
11 charge you \$400.00 and he doesn't have a territory for  
12 you. Recently I received a letter from your Canadian  
13 Consulate. I think you people are going into the Fair  
14 in 1967. We had one fellow who gave us a lot of trouble,  
15 who exhibited inventions. He sent out mail and brochures  
16 if you pay me \$150.00 or \$250.00 I will exhibit your  
17 invention. Mail order is also a big thing.

18 MR. SEDGWICK: Do you have much trouble with  
19 door to door salesmen?

20 MR. LEVY: Mostly in the magazine industry.  
21 The door to door sales is not too bad, it's the fact  
22 they get these people to sign retail instalment contracts.

23 MR. SEDGWICK: We are not primarily concerned  
24 with door to door salesmen as such. We are concerned  
25 when there is consumer credit involved. Our problem  
26 is not with the man that delivers the brush at the door,  
27 it's with the man who sells them the magazine.

28 MR. LEVY: Take the food freezer plan  
29 swindle. I can't afford it, and I think I make a little  
30







1 more than those people that make \$60.00, yet they sign  
2 them up for \$2,000.00. These fellows come to the door  
3 and tell them we will give you steaks, eggs, and butter,  
4 and the rest of it and it will cost you nothing. This  
5 freezer will be for nothing because you save on food.

6 MR. SEDGWICK: Would you think it's good  
7 legislation to outlaw these automatic wage assignments?

8 MR. LEVY: In some States they have outlawed  
9 these automatic wage assignments. We have too.

10 MR. SEDGWICK: Don't you think that will  
11 have some good effect?

12 MR. LEVY: It has not been a deterrent here.  
13 I am a great believer in licensing travelling agents.

14 MR. SEDGWICK: Are they required to be  
15 licensed?

16 MR. LEVY: It's on a local level and it's  
17 no good. The police can't do anything about it. How  
18 about in Canada, have you licensed travel agents?

19 MR. SEDGWICK: No, and we have had one or  
20 two bad examples.

21 MR. LEVY: You should give serious thought  
22 to controlling these people. We are not anti-business,  
23 we want to help business. Are you people plagued with  
24 them?

25 MR. SEDGWICK: We have Federal legislation  
26 but if you read it you would have it prohibited. It  
27 seems there is some doubt about it's legality. You may  
28 recall three or four years ago there was no security  
29 legislation. It came in originally as Blue Sky.  
30





1 MR. LEVY: The Attorney General flew up  
2 to Canada about three years ago. We combined on a bill  
3 for securities. I don't know if you people have a  
4 standard retail instalment contract?

5 MR. SEDGWICK: That's one of the things we  
6 are looking into. We should have a standard contract.

7 MR. LEVY: We had a case, this was a company  
8 that sells jewellery and T.V's mostly to the lower  
9 economic level and they had these people sign these  
10 retail instalment contracts. Under our retail instalment  
11 contracts we permit them to quote interest, service  
12 charges, etc. Then they say if the retailer sends it  
13 out to a collection agency he sells these contracts to  
14 them and, if in order to collect on the contract they  
15 have to send it to an attorney not on their payroll they  
16 can add 20% to the contract as attorneys fees. We found  
17 this particular company had an attorney on their payroll  
18 and they had collected thousands and thousands of  
19 dollars as attorneys fees and they just paid him his  
20 salary. Because of the informant who was the attorney  
21 himself we brought them up. My accountants went there  
22 and found he took about \$15,237.00 in an eight month  
23 period, over and above what he would be entitled to.

24 SEDGWICK: Who is going to get that money?

25 MR. LEVY: This we are sending back to the  
26 consumer. We have 850 consumers. We have their names.  
27 Some are big contracts \$4,000.00 or \$5,000.00. Incident-  
28 ally we charged him \$1,500.00 for our time. I say as  
29 long as as we spend the time we are entitled to get paid.  
30







1 This goes to the State.

2 MR. SEDGWICK: Wouldn't that be a matter of  
3 your discipline committee of the Bar?

4 MR. LEVY: Yes, from what I understand these  
5 people will complain to the Bar.

6 MR. REILLY: I guess he is a former attorney  
7 now?

8 MR. LEVY: He has violated the ethics. I  
9 may be wrong, sometimes you have to be a Solomon. You  
10 have to take the responsibility otherwise I would be  
11 derelict in my job.

12 MR. REILLY: Do you try to screen the con-  
13 sumer that comes in with a complaint. What about verbal  
14 complaints?

15 MR. LEVY: We have a complaint room. They  
16 have a right to come into our office without an appointment,  
17 without red tape, without writing. They come in and  
18 fill out a form. They come in and sit down and tell  
19 him their troubles. The big business people are for us  
20 because we help them maintain goodwill.

21 MR. REILLY: What percentage of the  
22 complaints would you say would be legitimate?

23 MR. LEVY: This will shock you, 99%.  
24 Almost every one that comes in has a legitimate complaint.  
25 This is why our bureau survives, we're not out to hurt  
26 business.

27 MR. LAWRENCE: What does a guy do who is  
28 in Buffalo. Does he go to the State office?

29 MR. LEVY: We have an office in Buffalo.  
30







1 He goes there. There is only one man there.

2 MR. LAWRENCE: What legislation do you  
3 work under?

4 MR. LEVY: We have an executive law. The  
5 Attorney General feels where there is a persistent fraud  
6 in a business deal he has a right to investigate.

7 MR. LAWRENCE: Could we have a copy of that?

8 MR. LEVY: Yes. I can send them to you.

9 MR. SEDGWICK: Do you, yourself, have a  
10 power of subpoena. You get an Attorney General's order?

11 MR. LEVY: I don't need an order. Mine is  
12 a bureau, I would call it a bastard bureau. You can  
13 look through all the statutes and you won't see  
14 Consumer Frauds Protection Burear. This was formed by  
15 Attorney General Lefkowitz when Javits became senator.  
16 Mr. Lefkotitz was born in New York City and he knows the  
17 problem of the consumer. He said, let's tell the press  
18 we are setting up a division to help consumers. He set  
19 this separate burear up and he brought me in here in  
20 1960. I have a staff of 14 people and we have student  
21 volunteers from the law schools who volunteer their time  
22 to learn and help the public.

23 MR. SEDGWICK: Do you have States that copy  
24 your law or procedure?

25 MR. LEVY: It's procedure and guts. I would  
26 say today 36 States have some one individual if consumers  
27 write in. My budget when we first started was nothing.  
28 Today it's over \$100,000.00. It should be a million, it's  
29 about \$100,000.00.  
30





1 MR. LAWRENCE: Is it your ultimate aim that  
2 you have these people in a court case?

3 MR. LEVY: My hope. Most of these cases are  
4 what we call a consent injunction.

5 MR. LAWRENCE: Do they attend in the name  
6 of the State or in the name of the individual who  
7 brought the complaint?

8 MR. LEVY: The State against---

9 MR. LAWRENCE: Then you have a piece of  
10 legislation authorizing this?

11 MR. LEVY: No, we have this general statute  
12 63 of the Executive Law. It says if the Attorney General  
13 feels there is persistent fraud and illegality we have  
14 a right to start an injunction proceeding and we have a  
15 right to issue a subpoena. If the attorney General feels  
16 there is a fraud and illegality he has a right to  
17 subpoena.

18 MR. LAWRENCE: Do you hold a semi-formal  
19 hearing?

20 MR. LEVY: No, it's a formal hearing.

21 MR. LAWRENCE: Is this a public hearing?

22 MR. LEVY: No. Security is confidential.

23 MR. SEDGWICK: Security is by statute?

24 MR. LEVY: Yes.

25 MR. MacDONALD: Have you given any consider-  
26 ation for a cooling off period?

27 MR. LEVY: We are not legislators. I think  
28 it's a good idea. I think it's a wonderful thing to  
29 give them 36 or 48 hours.  
30







1 MR. SEDGWICK: I think it's 48 hours.

2 MR. LEVY: I think it would be a very good  
3 thing.

4 MR. REILLY: Your legislation here haven't  
5 done anything about it?

6 MR. LEVY: No. We have a law under our  
7 retail instalment plan for the purchase of goods. After  
8 the contract is sold you have the finance companies.

9 MR. SEDGWICK: Household, Beneficial.

10 MR. LAWRENCE: Is the evidence you gather  
11 admissible in Court?

12 MR. LEVY: That's right. In other words,  
13 in order to introduce that evidence I have to have  
14 witnesses or the respondent there himself.

15 MR. SEDGWICK: That would be so with us too.  
16 Am I right this is your law, whenever any person shall  
17 engage in repeated fraudulent or illegal acts or  
18 demonstrate persistent fraud or illegality the Attorney  
19 General --- this is as long as it is broad.

20 MR. REILLY: Is it similar to our Criminal  
21 Code?

22 MR. SEDGWICK: This is not a criminal proceed-  
23 ing.

24 MR. LEVY: This is civil. You as legislators  
25 would have to decide for yourselves whether business  
26 would buy this without the usual pressures.

27 MR. LAWRENCE: When was that first indicated?

28 MR. LEVY: Within the last ten years we had  
29 a lot of problems with it. We had to put it into a  
30







1 different section.

2 MR. LAWRENCE: It came first and then your  
3 section was set up about four years ago?

4 MR. LEVY: That came before this. We  
5 became a bureau in 1959. I am the chief of this bureau,  
6 I am only responsible to the Attorney General. If I was  
7 a division I would be responsible to a division head.  
8 He calls this his bread and butter. The Attorney General  
9 is a real politician, he knows what's important.

10 MR. SEDGWICK: How did you get your budget?

11 MR. LEVY: The budget is an annual budget.  
12 We are called the department of law under our table of  
13 organization. There is a budget committee appointed by  
14 the government.

15 MR. SEDGWICK: Does that go before the  
16 legislature?

17 MR. LEVY: Yes.

18 MR. LAWRENCE: I doubt very much if we could  
19 set up anything that would have the name fraud because  
20 fraud brings in a criminal element. If we were to set  
21 something up on a consumer council basis, presumably  
22 be your counterpart, in Ontario---what limitations do  
23 you find in your own work?

24 MR. LEVY: This is something I have argued.  
25 We had a democratic governor when Mr. Lefkowitz was the  
26 Attorney General, and the democratic governor appointed  
27 a consumer council, a woman by the name of Peterson.  
28 They have no power, they don't have the administration  
29 or legal knowhow or machinery. It may look good in the  
30





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1 press, but one woman can't do this type of job. They  
2 will go around to the teas and to the conventions, I  
3 have to admit I am opposed to it. You need someone  
4 that has the legal background. When the business person  
5 gets a letter from Joe Jones, consumer council and when  
6 he gets a letter from the Attorney General of the State  
7 of New York it's different. That's why they come down  
8 with their counsel when they get our letter, they are  
9 down.

10 MR. SEDGWICK: That's it.

11  
12 -----Meeting adjourned.  
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